



Hlabisa Local Municipality
Annual Financial Statements
for the year ended 30 June 2010

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

General Information

Mayoral committee

Mayor

Deputy Mayor

Speaker

Members of Executive Committee

Councilor B. Ntombela

Councilor V.M. Gumede

Councilor Z.E. Nyawo

Councilor M.A. Ntombela

Councilor M.W. Khumalo

Councilor G.R. Mchunu

Councilor H.T. Nkosi

Councilor H.G. Mavimbela

Grading of local authority

2

Municipal Manager

T. V. Mkhize

Chief Finance Officer (CFO)

B.M. Thusi

Registered office

Municipal Building
4/62 Masson Street
Hlabisa
3937

Business address

Municipal Building
4/62 Masson Street
Hlabisa
3937

Postal address

PO Box 387
Hlabisa
3937

Telephone number

035 838 8500

Fax number

035 338 8500

Bankers

ABSA - Public Sector Newcastle
FNB Bank Limited - Mtubatuba

Auditors

Auditor-General

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the municipality sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 43, which have been prepared on the going concern basis, were approved by the Council on 31 August 2010 and were signed on its behalf by:

T.V. Mkhize
Municipal Manager



Report of the Auditor General

Hlabisa Local Municipality

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Accounting Officer's Report

The Accounting Officer submits his report for the year ended 30 June 2010.

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Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Inventories	7	19,217	-
Trade and other receivables	8	27,556	666,980
VAT receivable	9	1,545,855	860,582
Consumer debtors	10	988,868	576,171
Cash and cash equivalents	11	2,500,883	146,374
		5,082,379	2,250,107
Non-Current Assets			
Investment property	4	113,900	113,900
Property, plant and equipment	5	59,177,564	36,626,240
Intangible assets	6	19,075	26,608
Investments		2,941,789	5,093,252
Deposits		14,200	14,200
		62,266,528	41,874,200
Total Assets		67,348,907	44,124,307
Liabilities			
Current Liabilities			
Finance lease obligation	12	133,636	104,412
Trade and other payables	14	5,527,801	2,660,469
Unspent grants and receipts	13	5,008,838	5,148,400
Bank overdraft	11	-	925,761
		10,670,275	8,839,042
Non-Current Liabilities			
Finance lease obligation	12	217,595	351,230
Total Liabilities		10,887,870	9,190,272
Net Assets		56,461,037	34,934,035
Net Assets			
Accumulated Surplus		56,461,037	34,934,035

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Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Property rates	16	466,652	102,157
Service charges	17	1,051,973	13,636
Property rates - penalties imposed and collection charges		88,600	102,338
Public contributions and donations		-	25,698
Fines		7,884,499	2,917,384
Licences and permits		301,283	673,954
Government grants & subsidies	18	56,840,367	39,362,797
Rental income		165,893	229,486
Sundry income		1,147,770	186,074
Interest received - investment	23	373,021	1,050,717
Total Revenue		68,320,058	44,664,241
Expenditure			
Employee related costs	21	(11,899,264)	(9,349,619)
Remuneration of councillors	22	(7,040,981)	(5,999,320)
Depreciation and amortisation	24	(2,040,135)	(1,547,328)
Finance costs	25	(42,701)	(46,459)
Provision for bad debts		(1,099,055)	(74,999)
Repairs and maintenance		(229,634)	(769,484)
Contracted services	27	(9,134)	-
Community and grant expenditure		(9,237,478)	(17,671,102)
General Expenses	20	(15,354,950)	(11,754,629)
Total Expenditure		(46,953,332)	(47,212,940)
Surplus (deficit) for the year		21,366,726	(2,548,699)

Hlabisa Local Municipality

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Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
Opening balance as previously reported	20,006,532	20,006,532
Adjustments		
GRAP conversion	17,476,202	17,476,202
Balance at 01 July 2008 as restated	37,482,734	37,482,734
Changes in net assets		
Surplus for the year	(2,548,699)	(2,548,699)
Balance at 01 July 2009	34,934,034	34,934,034
Changes in net assets		
Surplus for the year	21,366,726	21,366,726
Grap conversion adjustments	160,277	160,277
Balance at 30 June 2010	56,461,037	56,461,037

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Cash flow statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Sale of goods and services		9,549,068	10,341,909
Grants		56,700,805	39,517,791
Interest income		373,021	1,050,717
		<u>66,622,894</u>	<u>50,910,417</u>
Payments			
Employee costs		(18,940,245)	(15,348,939)
Community grant expenditure		(9,237,478)	(17,561,107)
Consulting and professional fees		(6,146,066)	(3,649,388)
Other payments to suppliers		(6,599,537)	(9,665,767)
		<u>(40,923,326)</u>	<u>(46,225,201)</u>
Net cash flows from operating activities	28	<u>25,699,568</u>	<u>4,685,216</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(24,583,931)	(15,800,682)
Purchase of financial assets		-	(5,093,252)
Proceeds from investments		2,151,463	-
Net cash flows from investing activities		<u>(22,432,468)</u>	<u>(20,893,934)</u>
Cash flows from financing activities			
Finance lease payments		(147,111)	(126,408)
Other adjustments		160,281	17,104,334
Net cash flows from financing activities		<u>13,170</u>	<u>16,977,926</u>
Net movement in cash and cash equivalents		<u>3,280,270</u>	<u>769,208</u>
Cash and cash equivalents at the beginning of the year		(779,387)	(1,548,595)
Cash and cash equivalents at the end of the year	11	<u>2,500,883</u>	<u>(779,387)</u>

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Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act, (Act No.56 of 2003). Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

The standards included in the GRAP reporting framework, as determined in Directive 5 as issued by the Accounting Standards Board are summarised as follows:

Standard of GRAP

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Investments in associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent asset
GRAP 100	Non current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 36 (AC 128)	Impairment of Assets
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash Generating Assets
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 14	The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue

Accounting policies for material transactions, events or conditions not covered by the above GRAP reporting framework have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5, as issued by the Accounting Standard Board.

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Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

These accounting policies are consistent with the previous period, except for the changes set out in the note in the relevant policy.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

1.2 Investment property

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - park homes	5 years

Transitional provision

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the

Hlabisa Local Municipality

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Accounting Policies

1.3 Property, plant and equipment (continued)

production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	
• Office Buildings	30
Infrastructure	
• Taxi Ranks	20
• Bus Terminals and Shelters	20
• Street Lights	25
Community	
• Library	30
• Recreational Centres	30
• Sports and related grounds	30
• Outdoor sports facilities	20
• Community Halls	30
• Public Conveniences	30
Other property, plant and equipment	
• Bins and Containers	5 - 10
• Buildings	30
• Computer Equipment	5
• Computer Software (part of computer)	5
• Emergency equipment	5 - 15
• Furniture and Fittings	3 - 10
• Motor Vehicles	5
• Office Equipment	5
• Other Assets	2-30

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for

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Accounting Policies

1.3 Property, plant and equipment (continued)

reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 5. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Intangible assets

Intangible assets comprise computer software and anti-virus software and are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided for intangible assets on a straight line basis over the useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivable through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenditure. When a trade receivable is uncollectible, it is written-off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, which is the initial carrying amount less repayments plus interest.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.5 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.8 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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Accounting Policies

1.8 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.10 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or

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Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.10 Revenue from non-exchange transactions (continued)

additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.11 Investment income

Interest and rentals are recognised on a time proportion basis.

1.12 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.13 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.14 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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Accounting Policies

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.17 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.18 Presentation of currency

These annual financial statements are presented in South African Rand.

1.19 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
2. Changes in accounting policy		
The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice. This represents a change in accounting from work from IMFO and to Generally Recognised Accounting Practice.		
The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2009 are as follows:		
Statement of financial position		
Property, plant and equipment (cost)		
Previously stated	-	41,915,800
Adjustment	-	544,337
	-	42,460,137
Investment Property (cost)		
Previously stated	-	-
Adjustment	-	198,150
	-	198,150
Intangible Assets		
Previously stated	-	-
Adjustment	-	37,665
	-	37,665
Property Plant and equipment (Accumulated Depreciation)		
Previously stated	-	-
Adjustment	-	(4,094,362)
	-	(4,094,362)
Investment Property (Accumulated Depreciation)		
Previously stated	-	-
Adjustment	-	(84,250)
	-	(84,250)
Intangible Assets (Accumulated Amortisation)		
Previously stated	-	-
Adjustment	-	4,887
	-	4,887
Loans redeemed and capital receipts		
Previously stated	-	(41,915,800)
Adjustment	-	41,915,800
	-	-
Trade and Other Receivables		
Previously stated	-	1,670,154
VAT Receivable disclosed separately	-	(860,582)
Consumer Debtors disclosed separately	-	(576,171)
Adjustment to disclose credit balances in trade and other payables	-	433,579
	-	666,980

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
2. Changes in accounting policy (continued)		
Trade and Other Payables		
Previously stated	-	1,357,287
Accrued leave pay previously disclosed as a provision	-	630,106
Accrued bonus not previously recognised	-	226,972
Consumer deposits received previously disclosed as non-current liabilities	-	12,509
Credit balances previously disclosed as trade and other receivables	-	433,595
	-	2,660,469
Capital Development Fund		
Previously stated	-	(1,599,155)
Adjustment	-	1,599,155
	-	-
Reserves and Trust funds		
Previously stated	-	(20,139,748)
Adjustment	-	20,139,748
	-	-
Unspent grants and receipts		
Previously stated	-	-
Adjustment	-	(9,873,217)
	-	(9,873,217)
Finance lease liabilities		
Previously stated	-	-
Adjustment	-	(535,591)
	-	(535,591)
Accumulated surplus		
Previously stated- balance	-	(9,365,117)
- 08/09 Appropriations	-	(2,908,475)
Grap implementation adjustments	-	17,476,202
	-	5,202,610
Statement of financial performance		
Finance costs		
Adjustment	-	42,701
Depreciation and armotisation		
Adjustment	-	1,547,328
Contributions to fixed assets		
Previously stated	-	756,444
Adjustment	-	(756,444)
	-	-
Contribution to funds		
Previously stated	-	14,052,039
Adjustment	-	(14,052,039)
	-	-

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
2. Changes in accounting policy (continued)		
Government grants and subsidies		
Previously stated	-	40,313,797
Adjustment	-	(951,000)
	-	39,362,797

Notes to the Annual Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 7 (AC 144) Financial Instruments: Disclosures

IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the municipality's financial instruments.

The effective date of the standard is for years beginning on or after 01 January 2007.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the operations of the municipality.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 (AC 116) Employee Benefits

With regards to curtailments and negative past service costs clarification has been made that:

- When a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;
- Negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and
- A curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

The definition of 'return on plan assets' has also been amended to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

The term "fall due" in the definition of "short term employee benefits" has been replaced with "due to be settled"

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality does not envisage adoption of the policy until such time as it becomes applicable to the municipality's operations.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 (AC 128) Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has not envisaged the adoption of the amendment until such time that it becomes applicable to the municipality's operations.

The impact of the amendment is not material.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directive also needs to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the municipality receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the municipality, and the municipality can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no effect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the municipality would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the municipality as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:

- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the municipality has contravened these legislative requirements, the municipality is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directive also needs to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directive also needs to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the municipality needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directive also needs to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the municipality.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. "Non-cash-generating assets" are assets other than cash-generating assets and "value in use of a non-cash-generating asset" is the present value of the asset's remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a controlled entity acquired exclusively with a view to resale.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires prospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standard of Property, Plant and Equipment until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IPSAS 21: Impairment of Non Cash-Generating Assets

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied to a cash generating asset.

Asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This Standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment. This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The impact of the standard is not material.

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2010 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions on the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 July 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the operations of the municipality.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

4. Investment property

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	198,150	(84,250)	113,900	198,150	(84,250)	113,900

Transitional provisions

Investment property recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain investment property with a carrying value of R 113,900 (2009: R 113,900) was recognised at provisional amounts. Carrying amounts of investment property carried at provisional amounts are:

Due to initial adoption of GRAP 16

Buildings - Office Parkhome	-	-
Land - Erf 339	100,000	100,000
Land - Erf 264	11,000	11,000
Land - Erf 282	2,900	2,900

Steps taken to establish the values of investment property recognised at provisional amounts due to the initial adoption of GRAP 16, is as follows:

The municipality is in the process of appointing suitably qualified consultants to perform a complete valuation on all assets during the next financial year.

The date at which full compliance with GRAP 16 is expected, is 30 June 2012.

5. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	168,000	-	168,000	168,000	-	168,000
Buildings	6,166,311	(1,226,944)	4,939,367	6,166,311	(1,015,643)	5,150,668
Infrastructure	824,508	(136,751)	687,757	757,768	(105,795)	651,973
Community Assets	14,946,521	(1,726,674)	13,219,847	14,748,146	(1,233,123)	13,515,023
Other property, plant and equipment	8,132,444	(4,247,264)	3,885,180	5,504,453	(3,066,870)	2,437,583
Finance lease assets - other property, plant and equipment	582,000	(330,717)	251,283	582,000	(214,316)	367,684
Capital work in progress	36,026,130	-	36,026,130	14,335,309	-	14,335,309
Total	66,845,914	(7,668,350)	59,177,564	42,261,987	(5,635,747)	36,626,240

Reconciliation of the carrying value of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Land	168,000	-	-	168,000
Buildings	5,150,668	-	(211,301)	4,939,367
Infrastructure	651,973	66,741	(30,957)	687,757
Community Assets	13,515,023	198,375	(493,551)	13,219,847
Other property plant and equipment	2,437,583	2,627,994	(1,180,397)	3,885,180
Finance lease assets - other property, plant and equipment	367,684	-	(116,401)	251,283
Capital work in progress	14,335,309	21,690,821	-	36,026,130

Hlabisa Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2010 2009

5. Property, plant and equipment (continued)

36,626,240 24,583,931 (2,032,607) 59,177,564

Reconciliation of the carrying value of property, plant and equipment - 2009

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	168,000	-	-	-	168,000
Buildings	5,349,702	12,000	-	(211,034)	5,150,668
Infrastructure	122,033	548,541	-	(18,601)	651,973
Community assets	17,832,513	-	(3,826,418)	(491,072)	13,515,023
Other property, plant and equipment	2,658,570	904,832	(421,541)	(704,278)	2,437,583
Finance lease assets - other property, plant and equipment	484,084	-	-	(116,400)	367,684
Capital work in progress	-	14,335,309	-	-	14,335,309
	26,614,902	15,800,682	(4,247,959)	(1,541,385)	36,626,240

Assets subject to finance lease (Net carrying amount)

Other property, plant and equipment 251,283 367,684

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain property, plant and equipment with a carrying value of R 59,291,464 (2009: R 36,740,140) was recognised at provisional amounts. Carrying amounts of property, plant and equipment carried at provisional amounts are:

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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5. Property, plant and equipment (continued)

Due to initial adoption of GRAP 17

Land	281,900	281,900
Buildings	4,939,367	5,150,667
Infrastructure	687,757	651,973
Community Assets	13,219,847	13,515,023
Other property, plant and equipment	4,136,463	2,805,267
Work in progress	36,026,130	14,335,309

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

The Municipality is in the process of appointing suitably qualified consultants to perform a complete valuation of all assets during the next financial year.

The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

6. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	37,665	(18,590)	19,075	37,665	(11,057)	26,608

Reconciliation of intangible assets - 2010

	Opening balance	Amortisation	Total
Computer software, other	26,608	(7,533)	19,075

Reconciliation of intangible assets - 2009

	Opening balance	Amortisation	Total
Computer software, other	32,552	(5,944)	26,608

7. Inventories

Consumable stores	19,217	-
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Inventory is carried at the lower of cost or net realisable value.

8. Trade and other receivables

Staff debtors	14,350	653,774
Other debtors	13,206	13,206
	27,556	666,980

9. VAT receivable

Value Added Tax	1,545,855	860,582
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Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
10. Consumer debtors		
Gross balances		
Rates	1,496,227	1,168,709
Refuse	1,327,433	143,198
	2,823,660	1,311,907
Less: Provision for debt impairment		
Rates	855,413	641,438
Refuse	979,379	94,298
	1,834,792	735,736
Net balance		
Rates	640,814	527,271
Refuse	348,054	48,900
	988,868	576,171
Rates		
Current (0 -30 days)	674,541	554,990
31 - 60 days	59,950	25,940
61 - 90 days	34,667	-
91 - 120 days	34,667	-
121 - 365 days	692,401	587,777
	1,496,226	1,168,707
Refuse		
Current (0 -30 days)	366,373	51,474
31 - 60 days	111,906	2,338
61 - 90 days	109,160	-
91 - 120 days	109,087	-
121 - 365 days	630,907	89,386
	1,327,433	143,198
Reconciliation of debt impairment provision		
Balance at beginning of the year	735,736	660,737
Contributions to provision	1,099,056	74,999
	1,834,792	735,736
Consumer debtors past due but not impaired		
95% of Consumer debtors which are less than 60 days past due are not considered to be impaired. At 30 June 2010, R 988,869 (2009: R 576,141) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
Current	97,084	5,140
1 month past due	891,784	571,000

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1,005	1,005
Bank balances	2,499,878	145,369
Bank overdraft	-	(925,761)
	2,500,883	(779,387)
Current assets	2,500,883	146,374
Current liabilities	-	(925,761)
	2,500,883	(779,387)

The Municipality had the following bank accounts

Account number / description	Bank statement balances	
	30 June 2010	30 June 2009
ABSA Bank Limited Newcastle - Current Account - 4053709558	1,991,923	516,645
FNB Bank Limited Mtubatuba - Current Account - 62205724174	516,371	145,369
Total	2,508,294	662,014

12. Finance lease obligation

Minimum lease payments due

- within one year	160,757	142,517
- in second to fifth year inclusive	231,672	392,429
	392,429	534,946
less: future finance charges	(41,198)	(79,304)
Present value of minimum lease payments	351,231	455,642

Present value of minimum lease payments due

- within one year	133,636	104,412
- in second to fifth year inclusive	217,595	351,231
	351,231	455,643

Non-current liabilities	217,595	351,230
Current liabilities	133,636	104,412
	351,231	455,642

The average lease term was 5 years and the average effective borrowing rate was 12 (2009: 12%).

Interest rates are fixed at the contract date. All leases escalate at between 10% and 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

13. Unspent grants and receipts

Unspent conditional grants and receipts comprises of:

Conditional grants from other spheres of government

Unspent conditionl grants	5,008,838	5,148,400
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Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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13. Unspent grants and receipts (continued)

Refer to Appendix D for more detail on conditional grants and receipts.

14. Trade and other payables

Trade payables	4,322,809	1,357,287
Other payables	2,295	433,595
Accrued leave pay	961,116	630,106
Accrued bonus	229,633	226,972
Deposits received	11,948	12,509
	5,527,801	2,660,469

15. Revenue

Property rates	466,652	102,157
Penalties imposed and collection charges	88,600	102,338
Service charges	1,051,973	13,636
Public contributions and donations	-	25,698
Fines	7,884,499	2,917,384
Licences and permits	301,283	673,954
Government grants & subsidies	56,840,367	39,362,797
	66,633,374	43,197,964

The amount included in revenue arising from other services are as follows:

Service charges	1,051,973	13,636
Licences and permits	301,283	673,954
	1,353,256	687,590

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	466,652	102,157
Penalties imposed and collection charges	88,600	102,338
Public contributions and donations	-	25,698
Fines	7,884,499	2,917,384
Government grants & subsidies	56,840,367	39,362,797
	65,280,118	42,510,374

16. Property rates

Rates received

Municipal	466,652	102,157
	466,652	102,157
Penalties imposed and collection charges	88,600	102,338
	555,252	204,495

17. Service charges

Refuse removal	1,051,973	13,636
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Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
18. Government grants and subsidies		
Equitable share	31,051,345	24,180,304
Conditional and other grants	25,789,022	15,182,493
	56,840,367	39,362,797

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Conditional and other grants

Balance unspent at beginning of year	5,148,400	9,584,617
Current-year receipts	25,721,288	19,508,710
Conditions met - transferred to revenue	(25,581,726)	(15,052,493)
	5,008,838	5,148,400

Conditions still to be met - remain liabilities (see note 13)

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

19. Other revenue

Rental income - third party	165,893	229,486
Sundry income	1,147,770	186,074
	1,313,663	415,560

20. General expenses

Advertising	595,805	702,745
Auditors remuneration	1,546,716	383,383
Bank charges	28,328	149,482
Cleaning	(707)	46,613
Consulting and professional fees	6,146,066	3,753,158
Consumables	17,952	3,524
Entertainment	146,220	158,343
Fines and penalties	6,154	3,611
Insurance	214,683	116,251
Office machine rentals	98,503	152,679
Fuel and oil	974,188	800,862
Postage and courier	529,300	520,994
Printing and stationery	162,192	175,093
Royalties and license fees	4,891	8,303
Security (Guarding of municipal property)	591,690	632,998
Subscriptions and membership fees	15,992	22,982
Training	109,517	173,054
Assets expensed	-	544
Electricity	348,952	102,078
Uniforms	6,141	41,245
Administrative expenses	426,089	997,319
General	1,472,789	989,099
Subsistence and Travel	1,624,288	1,565,545
Sports	289,201	254,724
	15,354,950	11,754,629

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
21. Employee related costs		
Basic	7,818,683	5,593,899
Bonus	393,520	311,436
Medical aid - company contributions	243,019	190,710
UIF	71,427	91,608
SDL	154,892	60,672
Post-employment benefits	403,453	316,703
Travel, motor car, accommodation, subsistence and other allowances	861,088	1,116,548
Overtime payments	536,734	548,217
Housing benefits and allowances	893,216	541,545
Telephone, cell allowances	187,747	172,908
Industrial council	(5,828)	28,017
Leave	341,313	377,356
	11,899,264	9,349,619
Remuneration of municipal manager		
Annual Remuneration	361,981	323,373
Travel, car, accommodation, subsistence and other allowance	286,959	309,018
Contributions to UIF, Medical and Pension Funds	7,322	6,970
	656,262	639,361
Remuneration of chief finance officer		
Annual Remuneration	345,961	309,955
Travel, car, accommodation, subsistence and other allowance	236,037	246,515
Contributions to UIF, Medical and Pension Funds	6,761	6,376
	588,759	562,846
Corporate and human resources (corporate services)		
Annual Remuneration	341,572	304,826
Travel, car, accommodation, subsistence and other allowance	289,738	287,024
Contributions to UIF, Medical and Pension Funds	7,117	7,957
	638,427	599,807
Planning		
Annual Remuneration	274,828	-
Travel, car, accommodation, subsistence and other allowance	297,510	-
Contributions to UIF, Medical and Pension Funds	6,725	-
	579,063	-
Community Services		
Annual Remuneration	345,899	308,539
Travel, car, accommodation, subsistence and other allowance	208,395	197,469
Contributions to UIF, Medical and Pension Funds	6,498	6,086
	560,792	512,094
22. Remuneration of councillors		
Mayor	314,644	276,576
Deputy Mayor	425,763	204,666
Speaker	215,464	391,385

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
22. Remuneration of councillors (continued)		
Executive committee	861,844	895,016
Councillors	3,149,384	2,573,186
Councillors' pension and medical aid contributions	69,785	49,139
Councillors' allowances	2,004,097	1,645,353
	7,040,981	5,999,320
In-kind benefits		
The Mayor, Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has the use of separate Council owned vehicles for official duties.		
The Mayor has two full-time bodyguards.		
23. Investment revenue		
Interest revenue		
Interest income	373,021	1,050,717
24. Depreciation and amortisation		
Property, plant and equipment	2,032,602	1,541,385
Intangible assets	7,533	5,943
	2,040,135	1,547,328
25. Finance costs		
Finance leases	42,701	46,459
26. Auditors' remuneration		
Fees	1,546,716	383,383
27. Contracted services		
Other Contractors	9,134	-
28. Cash generated from operations		
Surplus (deficit)	21,366,726	(2,548,699)
Adjustments for:		
Depreciation and amortisation	2,040,135	1,547,328
Finance costs - Finance leases	42,701	46,459
Provision for doubtful debts	1,099,055	74,999
Changes in working capital:		
Inventories	(19,217)	-
Trade and other receivables	639,424	4,502,244
Consumer debtors	(1,511,752)	(32,358)
Trade and other payables	2,867,331	(40,756)
VAT	(685,273)	5,033,591
Unspent grants and receipts	(139,562)	-
Prior year adjustments	-	(3,897,592)
	25,699,568	4,685,216

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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29. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern, however the municipality takes into consideration that as at 30 June 2010, there was a shortfall of R5,227,603 to support unspent conditional grants other current liabilities. The municipality is in the process of developing a revenue enhancement strategy which will assist the municipality in improving its cash resources.

30. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	5,281	-
Current year subscription / fee	747,760	179,230
Amount paid - current year	(747,760)	(173,949)
Amount paid - previous years	(5,281)	-
	-	5,281

PAYE and UIF

Opening balance	208,486	214,013
Current year payroll deductions	3,346,688	2,690,605
Amount paid - current year	(3,068,093)	(2,482,119)
Amount paid- previous year	(208,486)	(214,013)
	278,595	208,486

The balance represents PAYE and UIF deducted from the June 2010 payroll. These amounts were paid during July 2010.

Pension and Medical Aid Deductions

Current year payroll deductions and council contributions	1,266,522	966,978
Amount paid - current year	(1,266,522)	(966,978)
	-	-

VAT

VAT receivable	1,545,855	860,582
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor M.D Hlabisa	1,287	1,579	2,866
30 June 2009	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor M.D Hlabisa	1,009	1,579	2,588

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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30. Additional disclosure in terms of Municipal Finance Management Act (continued)

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2010

	Highest outstanding amount	Aging (in days)
Councillor M.D Hlabisa	1,579	180 + days

30 June 2009

	Highest outstanding amount	Aging (in days)
Councillor M.D Hlabisa	1,579	180 + days

31. Commitments

Authorised capital expenditure

Already contracted and provided for

• Property, plant and equipment	15,988,567	-
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32. Unauthorised expenditure

Opening balance	-	-
Unauthorised expenditure - current year	7,554,407	-
Unauthorised expenditure awaiting authorisation	7,554,407	-

Unauthorised expenditure relates to unbudgeted expenditure.

33. Fruitless and wasteful expenditure

Opening balance	-	-
Fruitless and wasteful expenditure - current year	6,154	-
Fruitless and wasteful expenditure awaiting condonement	6,154	-

No criminal or disciplinary steps have at year-end been taken as a consequence of above expenditure.

34. Irregular expenditure

Opening balance	-	-
Add: Irregular Expenditure - current year	658,701	-
Irregular expenditure awaiting condonation	658,701	-

Analysis of expenditure awaiting condonation per age classification

Current year	658,701	-
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Details of irregular expenditure – current year

Payment to service provider where Councilor has an interest	These payments are under investigation by the municipality and at year-end no disciplinary steps or	2,400
Payment to service providers whose Directors or shareholders are in the service of the state	criminal proceedings have been instituted. The recoverability of these payments will be established on completion of the investigation.	656,301
		658,701

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

35. Statement of comparative and actual information

2010

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance									
Property rates	526,869	526,869		526,869	555,252		(28,383)	105 %	105 %
Service charges	162,842	162,842		162,842	1,051,973		(889,131)	646 %	646 %
Investment revenue	310,125	310,125		310,125	373,021		(62,896)	120 %	120 %
Transfers recognised - operational	45,652,000	54,368,555		54,368,555	56,840,367		(2,471,812)	105 %	125 %
Other own revenue	8,898,061	12,052,870		12,052,870	9,499,445		2,553,425	79 %	107 %
Total revenue (excluding capital transfers and contributions)	55,549,897	67,421,261		67,421,261	68,320,058		(898,797)	101 %	123 %
Employee costs	(13,140,608)	(12,841,371)	-	(12,841,371)	(11,899,264)	-	(942,107)	93 %	91 %
Remuneration of councillors	(7,420,791)	(7,135,840)	-	(7,135,840)	(7,040,981)	-	(94,859)	99 %	95 %
Debt impairment	-	-		-	(1,099,055)	-	1,099,055		
Depreciation and asset impairment	(1,001,778)	(1,001,778)		(1,001,778)	(2,040,135)	-	1,038,357	204 %	204 %
Finance charges	-	-	-	-	(42,701)	-	42,701		
Transfers and grants	(4,025,000)	(4,790,000)	-	(4,790,000)	(9,237,478)	-	4,447,478	193 %	230 %
Other expenditure	(10,140,049)	(13,629,936)	-	(13,629,936)	(15,593,718)	-	1,963,782	114 %	154 %
Total expenditure	(35,728,226)	(39,398,925)	-	(39,398,925)	(46,953,332)	-	7,554,407	119 %	131 %
Surplus/(Deficit)	19,821,671	28,022,336		28,022,336	21,366,726		6,655,610	76 %	108 %

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	(2,767,000)	(4,167,000)		(4,167,000)	-		(4,167,000)	- %	- %
Contributions recognised - capital and contributed assets	(17,054,671)	(23,554,671)		(23,554,671)	-		(23,554,671)	- %	- %
Surplus (Deficit) after capital transfers and contributions	-	300,665		300,665	21,366,726		(21,066,061)	7,106 %	
Surplus/(Deficit) for the year	-	300,665		300,665	21,366,726		(21,066,061)	7,106 %	

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources									
Sources of capital funds									
Transfers recognised - capital	13,355,000	13,355,000		13,355,000	-		13,355,000	- %	- %
Internally generated funds	2,767,000	2,767,000		2,767,000	-		2,767,000	- %	- %
Total sources of capital funds	16,122,000	16,122,000		16,122,000	-		16,122,000	- %	- %
Cash flows									
Net cash from (used) operating	-	-		-	25,699,568		(25,699,568)		
Net cash from (used) investing	-	-		-	(22,432,468)		22,432,468		
Net cash from (used) financing	-	-		-	13,170		(13,170)		
Cash/cash equivalents at the year end	-	-		-	3,280,270		(3,280,270)		

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Appendix A: Analysis of property, plant and equipment

Appendix A: Hlabisa Local Municipality: Analysis of property, plant and equipment as at 30 June 2010

Analysis of property, plant and equipment as at 30 June 2010
Cost/ Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings							
Land (Separate for AFS purposes)	168,000	-	168,000	-	-	-	168,000
Buildings (Separate for AFS purposes)	6,166,311	-	6,166,311	(1,015,643)	(211,301)	(1,226,944)	4,939,367
	6,334,311	-	6,334,311	(1,015,643)	(211,301)	(1,226,944)	5,107,367
Infrastructure							
Street lighting	439,092	-	439,092	(7,318)	(17,564)	(24,882)	414,210
Sewerage purification	-	66,741	66,740	-	(743)	(743)	65,997
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	318,676	-	318,676	(98,477)	(12,650)	(110,795)	207,881
	757,768	66,741	824,508	(105,795)	(30,957)	(136,751)	687,757
Community Assets							
Sportsfields and stadium	68,774	-	68,774	(9,170)	(2,292)	(11,462)	57,312
Community halls	12,068,424	-	12,068,424	(402,281)	(402,281)	(804,562)	11,263,862
Libraries	2,528,500	-	2,528,500	(800,692)	(84,283)	(884,975)	1,643,525
Other	82,448	198,375	280,823	(20,980)	(4,695)	(25,675)	255,148
	14,748,146	198,375	14,946,521	(1,233,123)	(493,551)	(1,726,674)	13,219,847

Appendix A: Hlabisa Local Municipality: Analysis of property, plant and equipment as at 30 June 2010

Analysis of property, plant and equipment as at 30 June 2010
Cost/ Revaluation **Accumulated depreciation**

	Opening Balance	Additions	Closing Balance	Opening Balance	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Other assets							
General vehicles	944,233	1,408,718	2,352,951	(624,429)	(508,816)	(1,133,245)	1,219,706
Computer Equipment	1,389,710	133,625	1,523,335	(734,378)	(219,046)	(953,424)	569,911
Computer Software (part of computer equipment)	116,443	-	116,443	(61,354)	(23,289)	(84,643)	31,800
Furniture & Fittings	1,613,893	473,219	2,087,109	(808,386)	(200,749)	(1,009,135)	1,077,974
Office Equipment	410,755	-	410,755	(281,431)	(69,674)	(351,105)	59,650
Office Equipment - Leased	582,000	-	582,000	(214,316)	(116,401)	(330,717)	251,283
Bins and Containers	36,066	-	36,066	(23,033)	(1,796)	(24,829)	11,237
Work in progress	14,335,309	21,690,821	36,026,130	-	-	-	36,026,130
Other	993,353	612,432	1,605,785	(533,859)	(157,025)	(690,883)	914,902
	20,421,762	24,318,815	44,740,574	(3,281,186)	(1,296,796)	(4,577,981)	40,162,593
Total property plant and equipment							
Land and buildings	6,334,311	-	6,334,311	(1,015,643)	(211,301)	(1,226,944)	5,107,367
Infrastructure	757,768	66,741	824,508	(105,795)	(30,957)	(136,751)	687,757
Community Assets	14,748,146	198,375	14,946,521	(1,233,123)	(493,551)	(1,726,674)	13,219,847
Other assets	20,421,762	24,318,815	44,740,574	(3,281,186)	(1,296,796)	(4,577,981)	40,162,593
	42,261,987	24,583,931	66,845,914	(5,635,747)	(2,032,605)	(7,668,350)	59,177,564

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix B: Segmental analysis of property, plant and equipment

Appendix B: Segmental analysis of property, plant and equipment as at 30 June 2010

Segmental analysis of property, plant and equipment as at 30 June 2010								
Cost/Revaluation				Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Municipality								
Executive & Council	10,810,991	2,050,148	-	12,861,139	(2,741,226)	(886,393)	(3,627,619)	9,233,520
2.* Finance & Admin/Finance	2,236,569	241,299	-	2,477,868	(1,184,822)	(355,489)	(1,540,311)	937,557
3.* Planning and Development/Economic Development/Plan	508,887	127,782	-	636,669	(118,088)	(76,546)	(194,634)	442,035
5.* Comm. & Social/Libraries and archives	27,722,996	473,877	21,690,821	49,887,694	(1,224,027)	(631,670)	(1,855,697)	48,031,997
7.* Public Safety	933,261	-	-	933,261	(345,407)	(72,648)	(418,055)	515,206
10.* Trading services - Waste Management	49,283	-	-	49,283	(22,177)	(9,858)	(32,034)	17,249
	42,261,987	2,893,106	21,690,821	66,845,914	(5,635,747)	(2,032,604)	(7,668,350)	59,177,564
Total								
Municipality	42,261,987	2,893,106	21,690,821	66,845,914	(5,635,747)	(2,032,604)	(7,668,350)	59,177,564
	42,261,987	2,893,106	21,690,821	66,845,914	(5,635,747)	(2,032,604)	(7,668,350)	59,177,564

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix C: Segmental Statement of Financial Performance

Appendix C

June 2010

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
37,622,530	27,616,919	10,005,611	Executive & Council/Mayor and Council	54,935,705	17,596,326	37,339,379
1,935,230	7,443,312	(5,508,082)	Finance & Admin/Finance	3,487,506	12,682,022	(9,194,516)
410,000	2,119,416	(1,709,416)	Planning and Development/Economic Development/Plan	407,296	3,363,847	(2,956,551)
6,351	5,448,202	(5,441,851)	Comm. & Social/Libraries and archives	44,500	4,025,024	(3,980,524)
3,591,337	2,506,189	1,085,148	Public Safety/Police	8,364,371	7,164,696	1,199,675
975,157	1,229,724	(254,567)	Sport and Recreation	-	289,201	(289,201)
13,636	735,420	(721,784)	Waste Water Management/Sewerage	1,051,973	891,108	160,865
44,554,241	47,099,182	(2,544,941)		68,291,351	46,012,224	22,279,127
Municipal Owned Entities Other charges						
44,554,241	47,099,182	(2,544,941)	Municipality	68,291,351	46,012,224	22,279,127
44,554,241	47,099,182	(2,544,941)	Total	68,291,351	46,012,224	22,279,127